

General Information Letter: Interest on obligations issued by the State of Illinois and its political subdivisions is subject to Illinois income tax unless expressly provided by statute.

June 15, 1999

Dear:

This is in response to your letter dated May 18, 1999 in which you request a Private Letter Ruling. Department of Revenue ("Department") regulations require that the Department issue only two types of letter rulings, Private Letter Rulings ("PLRs") and General Information Letters ("GILs"). PLRs are issued by the Department in response to specific taxpayer inquiries concerning the application of a tax statute or rule to a particular fact situation. A PLR is binding on the Department, but only as to the taxpayer who is the subject of the request for ruling and only to the extent the facts recited in the PLR are correct and complete. GILs do not constitute statements of agency policy that apply, interpret or prescribe the tax laws and are not binding on the Department. For your general information we have enclosed a copy of 2 Ill. Adm. Code Part 1200 regarding rulings and other information issued by the Department.

Although you have not specifically requested either type of ruling, the nature of your question and the information provided require that we respond only with a GIL.

In your letter you stated:

We are interested in purchasing some bonds that are the obligation of the State of Illinois. The income from these bonds are and will be exempt from Federal income tax. Are all Illinois obligations interest also exempt from Illinois income tax?

DISCUSSION

In answer to your question, taxation of Illinois obligations depends upon the security. Certain securities are exempt from Illinois income taxation while others are not. Section 203(a)(2)(N) of the Illinois Income Tax Act ("IITA") exempts Illinois obligations from the Illinois income tax only if there is specific statutory language authorizing the exemption. The exact language of §203(a)(2)(N) is:

(N) An amount equal to all amounts included in such total which are exempt from taxation by this State either by reason of its statutes or Constitution or by reason of the Constitution, treaties or statutes of the United States; provided that, in the case of any statute of this State that exempts income derived from bonds or other obligations from the tax imposed under this Act, the amount exempted shall be the interest net of bond premium amortization;

A current list of all Illinois obligations which are exempt under §203(a)(2)(N) can be found at 86 Il. Admin. Code §100.2470 (copy enclosed). This list can also be found in the instructions to your IL 1040.

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I hope that this has been helpful to you. If you have additional questions please feel free to contact me at the above address.

Very Truly Yours,

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